



Cabinet
25 July 2016

Strategic Director of Resources

For Action

Wards affected:
Wembley Central

**London Road, Wembley, HA9 7ET –
redevelopment proposals**

1.0 Summary

- 1.1 The proposed redevelopment of London Road provides a significant opportunity for the council to provide good quality housing for vulnerable households, while also generating significant revenue savings in two key areas of expenditure: Temporary Accommodation and care homes.

In summary, the proposal is to redevelop the site to provide approximately 55 new Temporary Accommodation (TA) units for homeless households, 67 Private Rented Sector (PRS) homes and 14 units of New Accommodation for Independent Living (NAIL) together with replacement non-residential space – see appendix 1 site plan and 2 Pellings feasibility study.

1.2 Related cabinet approvals

The **Strategic Property Plan 2015-19**, sets out a presumption for Brent to retain its limited property assets, utilising them to support regeneration, generating revenue savings, and capital investment for new income generation.

The **investment strategy** (April 2016)

Temporary Accommodation Reform Plan (March 2016), approved the development of long term Private Rented Sector (PRS) homes which can be let to homeless households at Local Housing Allowance (LHA) rates and states that the London Road site will be used to develop self-contained Temporary Accommodation units for emergency and short term use as an alternative to Bed & Breakfast.

Brent Housing Strategy 2014-19 seeks to significantly increase the supply of affordable housing and minimise the use of Bed & Breakfast accommodation

One Council Strategic Objectives. The development is a strategic fit helping to meet the Council's statutory duty to provide for homeless families and contribute to the NAIL programme. It delivers Council budget savings from Bed & Breakfast accommodation savings and improved service delivery by improving the quality of TA and NAIL accommodation.

2.0 Recommendations

- 2.1 That Cabinet agree to capital investment of £33m to bring forward the development of the London Road scheme, subject to further viability testing, local consultation and planning consent as detailed in paragraph 3.17.
- 2.2 That Cabinet note that the expenditure necessary to progress the project through to grant of planning permission is estimated to be in the region of £500,000.
- 2.3 Cabinet to note the land at Ark Elvin Academy, presently used as temporary parking, is surplus to requirements and Cabinet to authorise application to Secretary of State through a section 77 application, to secure agreement that the land is no longer required for educational purposes and can be used for residential.

3.0 Detail

Background

- 3.1 The subject sites as detailed at Appendix 1 comprises:
 - The former Dennis Jackson Centre, (0.251 hectares). The premises are subject to a D1 (Community) Use Class. The building was demolished in 2013 and has stood vacant since.
 - The Wembley Youth and Community Centre is an approximately 80 year old timber framed building. It occupies a site of 0.179 hectares. The premises are subject to a D1 use class and are currently being marketed on a short term lease (two years), with a break clause.
 - A hard surfaced area of 0.396 hectares. This is formally part of the Copeland School, and laid out as car park over 5 years ago. It is presently administered by the Ark Elvin Academy and is in use as a temporary car park whilst redevelopment of the existing school takes place.
 - A shared access with an area of 0.084 hectares.

- 3.2 As former uses of the land have either ended or are about to come to an end, it is an opportunity to look at the land as whole. Redevelopment considerations due to local planning policy will require the re-provision of D1 community space.

Business Case

- 3.3 The proposed redevelopment of London Road provides a significant opportunity for the council to provide good quality housing for vulnerable households, while also generating significant revenue savings in two key areas of expenditure: Temporary Accommodation and Care Homes. The proposal is to redevelop the site to provide approximately 55 new Temporary Accommodation units for homeless households, 67 LHA rent Private Rented Sector homes and 14 units of New Accommodation for Independent Living together with replacement community space.
- 3.4 Brent has approximately 3,000 households in Temporary Accommodation (“TA”), one of the highest numbers in England. Although the Borough has been successful in reducing numbers recently, there are still too many households in TA, which is inadequate for their needs. This has resulted in significant financial pressures on the Council.
- 3.5 Projections were that the non-staffing spend on TA and private sector landlord incentives would have been expected to increase from just over £2.0m in 2016/17 to around £3.1m by 2018/19. Against this backdrop, proposals were agreed by Cabinet on 14 March 2016 to implement the TA reform plan. One of the key elements of the reform plan is to develop council owned sites, including London Road, to provide good quality self-contained TA and LHA rent settled accommodation in the Private Rented Sector in which to end a homelessness duty, and to reduce Bed & Breakfast and other high accommodation costs accordingly.
- 3.6 The New Accommodation Independent Living (NAIL) Programme is a council cross-departmental programme set to deliver, 529 new units of “accommodation plus” by March 2018, for people who are assessed as having social care needs and who can no longer be supported to manage in their own home. NAIL accommodation is being created with individualised person centred on-site care and support to enable Brent residents, who would otherwise need to be placed in a care home setting, to be supported in the community, and to maintain their health, wellbeing, and independence in a home of their own.
- 3.7 While the primary driver of the NAIL programme is to maximise the choice, control and independence of Brent residents with high care and support needs; it will also deliver significant efficiency savings from the Adult Social Care (ASC) care home budget, which accounts for the largest area of ASC spend. This will be achieved through ASC being responsible only for meeting the cost of people’s care and support needs, as opposed to care home provision, where ASC is also responsible for all accommodation costs.

The Proposal

- 3.8 The proposal is to develop:
- I) Temporary Accommodation: approximately 55 units for the provision of Stage 1.5 accommodation for households to which the council has a homelessness duty as per the Temporary Accommodation Reform Plan. It is anticipated at this stage this accommodation would be a mix of two and three bedroom units.
 - II) LHA rent Private Rented Sector (PRS) accommodation, approximately 67 homes, predominantly two bedroom, but with some one and three bedroom units. The intention is that these homes will be occupied on a settled basis by homeless households. The council will offer the homes to homeless households, thus discharging its homelessness duty into the PRS. This relies upon the PRS rents being affordable to the occupying households i.e. set at Local Housing Allowance level. Based on current construction cost estimates and in order to meet financial viability criteria, market rents would need to be charged. However, in line with the Brent Housing Strategy 2014-19, the Council could choose to rent to these households at LHA rents but it would have a longer payback period.
 - III) NAIL: approximately 14 units for the provision of independent living accommodation for people with care and support needs. It is anticipated at this stage that this accommodation would be 55sqm, 1 Bedroom- 2 Person accommodation (28 persons). A care and support contract would be commissioned by Adult Social Care commissioners through the agreed Dynamic Purchasing System (DPS) for care and support.
- 3.9 Pellings were commissioned by Brent to undertake a design and cost feasibility study, to test capacity of the subject site. This indicated the site can deliver up-to 136 new homes, subject to further design development work and testing with planners, and public consultation. Where applicable, the homes will be developed according to the appropriate funding body standards, in order to provide flexibility to take up future grant funding opportunities. A copy of this feasibility study is at Appendix 2.
- 3.10 Where homes are used for homeless families it will help avoid the cost of unsuitable Bed & Breakfast accommodation and other expensive alternatives, as well as providing good quality affordable accommodation for local residents, providing them with a home in Brent as opposed to an out of Borough placement.
- 3.11 Both Stage 1.5 TA and LHA rent PRS accommodation save the council money in avoided costs of TA. This is calculated on the basis of the marginal cost to the council of getting additional TA supply. The most expensive form of temporary accommodation is Bed & Breakfast for families, on which the council loses around £160 per week per family on average. The cheapest

form of new supply temporary accommodation is through the DPS scheme, which loses the Council around £55per week in London.

- 3.12 The TA savings have thus been calculated on the conservative assumption that LHA rent PRS accommodation saves around £55 per week per unit in avoided costs and Stage 1.5 TA saves £77 per week on a the basis of a blend of DPS and B&B costs – a higher assumption being justified on the basis that Stage 1.5 TA is a more direct replacement for emergency accommodation such as B&B.
- 3.13 The NAIL homes contribute to the Cabinet approved NAIL programme, delivering specialist homes for local people and generating savings to the Adult Social Care care home budget.
- 3.14 The proposal is aligned with the approved Strategic Property Plan 2015-19, altering the presumption to sell assets, instead looking to retain and invest. It is envisaged the project will generate significant revenues for the council from rental income.
- 3.15 The provision of self-contained Stage 1.5 Temporary Accommodation and PRS homes forms a key part of the Council's Temporary Accommodation Reform Plan as approved by Cabinet in March 2016, the London Road proposal was specifically mentioned in this strategic paper.
- 3.16 The London Road, investment proposition fits with Brent Investment Strategy approved by Cabinet in April 2016.
- 3.17 As with any redevelopment proposal, the site will generate Community Infrastructure Levy, Council Tax and Rates.

Next steps and programme

- 3.18 The next steps and programme are as follows:
- Procure design team to take feasibility to develop design in consultation with Planning and Highways. (August- October 2016)
 - Public consultation on Section 77 and application to Secretary of State for Section 77 Consent (September – December 2016)
 - Facilitate local consultation with stakeholders on proposals (October-November 2016)
 - Submit full planning application (January 2017)
 - Planning permission granted (June 2017)
 - Cabinet Paper to tender for construction contract (April 2017). Contract value approx. £26m.
 - Cabinet paper to approve construction contract (July 2017)
 - Start on site Phase one (August 2017)

Risks

- 3.19 The key risks associated with the project that Officers have identified are:
- Planning Risk. The initial site designs will need to be modified and better aligned with planning policy. A public consultation exercise will be needed once proposals have been developed. This may result in a reduction in unit numbers which may impact on viability.
 - Construction cost risk. Early appointment of consultants to develop the scheme and secure planning permission is essential, to get to the point at which a fixed price tender can be accepted as soon as possible. Value engineering exercise will need to be carried out, if tenders exceed budget.
 - The PRS units cannot be let at LHA rent levels, due to the financial viability of the scheme. This would impair the Council's ability to move homeless households through the system and discharge its duty to the PRS, thus increasing Housing Needs revenue expenditure.
 - Section 77 Consent Refused. The S77 consent application will be submitted after a period of public consultation. There is a medium risk that section 77 consent is not granted. This would result in a significant loss in units.

4.0 Financial Implications

- 4.1 The scheme in its entirety, when complete, is forecast to achieve approx. £460k of revenue savings or reduced cost pressures per annum (based on cost of alternative provision).
- 4.2 The average weekly cost of temporary accommodation that the TA units will replace conservatively equates to £77 per week per unit. Therefore, the anticipated savings for the Housing Needs Temporary Accommodation budget are £220k pa with the use of 55 units.
- 4.3 Utilising Supported Living schemes as an alternative to Residential Care will equate to average savings of £322 per week per unit. Therefore, the anticipated savings for the Adult Social Care budget are £240k with the use of 14 units.
- 4.4 The scheme costs for delivery of this project are forecast to be £33m.
- 4.5 The scheme currently anticipates that based on 50% of units let at affordable rents, (i.e. Local Housing allowance rent levels) it would take 32 years to payback the original capital investment. Approximately 79% of that cost is made up of build costs, while the remainder consists of fees, interest and a 5% contingency. This scheme does not consider the capital appreciation of the underlying assets as it is focussed on the asset value in use (i.e. as a source of rent) levels. With PRS units let at LHA rents this would produce a negative NPV and would take 15 years longer to repay back the original capital investment.

Summary

	PRS units let at Market Rents	PRS units let at LHA Rents
NPV at first handover	£23,790	-£7,692,617
Loan repaid year	32	47
IRR	3.51%	1.47%
1B rent (per week)	£281	£185.81
2B rent (per week)	£315	£242.33
3B rent (per week)	£395	£300

5.0 Legal Implications

- 5.1 Section 77 Consent from the Secretary of State is required for disposal of the element of the site that is surplus to the requirements of Ark Elvin Academy.
- 5.2 It is intended that the Private Rented units are let on assured shorthold tenancies.
- 5.3 The proposed development will require a number of additional consultancy contracts to be procured. These contracts are likely to be Low or Medium Value Contracts under the Council's Contract Standing Orders and as such will be procured using either a quote process for Low Value Contracts or a tender process for Medium Value Contracts. Any Medium Value Contracts will be subject to the Public Contracts Regulations 2015 ("EU Regulations") and will be procured in accordance with EU Regulations. Low and Medium Value Contracts will be procured by Officers using powers delegated under Part 4 of the Constitution.
- 5.4 The proposed development will require a works contract to be let. The estimated value of the contract is £26 million as detailed at paragraph 3.17. The contract will therefore be categorised as a High Value Contract under the council's Contract Standing Orders and will need to be procured in compliance with EU Regulations and Contract Standing Orders by way of a tender process or the use of an EU compliant framework.

6.0 Diversity Implications

- 6.1 A screening analysis of the likely impact of the proposals in this report has been undertaken. The impact for protected groups is positive.

Background Papers

- Appendix 1 - Subject site
Appendix 2 – Pellings feasibility study.

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